Chapter

9

FINANCIAL PLAN

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for the Airport Master Plan for Whiteriver Airport

9.0 GENERAL

The ultimate goal of any airport should be the capability to support its own operation and development through airport user fees. Unfortunately, few general aviation airports the size of the Whiteriver Airport are able to do this. For example, an airport cannot break even when the fees received from hangar rentals will not adequately amortize the cost of construction. This is the case all too frequently, and it therefore comes as no surprise when communities complain about the high costs of maintaining their airport's operation. Even by increasing fees, these airports might not reach the break even point. Yet the effort to become self-sufficient will certainly gain a more positive attitude by the community towards airfield development interests.

One point that should be brought up at this time, however, is the fact that while most general aviation airports the size of the Whiteriver Airport are not self-sustaining, the intrinsic value that a well-maintained airport brings to a community or region goes far beyond the day-to-day operational costs of that airport. In other words, the money spent in the community or in the region by individuals or businesses which use the airport exceeds the expenses which are a result of operations at the airport. Furthermore, the Whiteriver Airport provides access for valuable services to the Whiteriver community in terms of wild fire suppression and medical air transport.

Continuous participation by the White Mountain Apache Tribe to enhance existing and future airport facilities could result in a more efficient and well managed airport. Revenues that could possibly be generated from tiedown spaces and fuel flowage fees will also offset airport operations and maintenance costs. However, a careful review of the implications associated with such charges should be completed before any action is undertaken. Higher costs associated with tiedown fees and/or higher fuel charges may eventually reduce the demand placed on the airport by aviation users.

9.1 AIRPORT REVENUE AND EXPENSES

The Whiteriver Airport was originally constructed by the Bureau of Indian Affairs (BIA) Forestry Department to serve as an air tanker base for wild fire suppression operations. Since then, it has been operated, maintained, and improved with BIA funds. While the BIA remains the primary airport user, the airport has since developed into a general aviation airport serving air medivac, business, recreational, and training flights as well. Furthermore, the BIA no longer programs funding for the development or maintenance of the airport, which over time, has caused the airport pavement condition to deteriorate. There are currently no revenues generated at the airport through any type of user fees or leases. The BIA leases facilities at the airport from the Tribe at a very nominal rate.

With the assumption of responsibility for the airport as the Airport Sponsor, the White Mountain Apache Tribe has the overall responsibility for providing a safe and efficient operating environment. It is expected; however, that the BIA will maintain a strong presence on the airport and fulfill many of the day-to-day operations and maintenance responsibilities.

Capital improvement projects are expected to be funded at a rate of 91.06 percent by FAA grants and 8.94 percent by local funds. Maintenance costs are expected to require 100 percent funding by local funds. Funding sources in addition to revenue generated through user fees and Federal grants may include contributions from the BIA, Indian Health Service (IHS), and the White Mountain Apache Tribe.

A revenue and expense projection has been computed to reflect the anticipated operations of the airport by the White Mountain Apache Tribe. The projected revenues are based on the implementation of several income enhancement strategies. These strategies are described in Section 9.1.1. Projected expenses include administrative costs of operating the airport and the average annual pavement maintenance (crack and fog sealing) costs, which were extracted from the Capital Improvement Program (CIP) presented in Chapter 8. Building maintenance costs are not included in the expense projection, as they should be the responsibility of the leasee. A recommendation of this study is to establish an "Airport Board" to serve as the responsible agency for airport policy and procedures, and to include the responsibilities of day-to-day airport management in the lease contract with the Bureau of Indian Affairs. This will eliminate the need to employ a salaried airport manager. Capital improvement costs are not reflected in Table IX-1, and will be discussed later in this Chapter.

TABLE IX-1
PROJECTED REVENUE AND EXPENDITURES

	Projections
REVENUES[1]	
Hangar Rentals	$1,200
Tiedown Fees	$3,350
Fuel Sales	$16,000
TOTAL REVENUES	**$20,550**
EXPENDITURES	
Accounting & Legal	$1,000
Insurance	$4,000
Utilities	$7,000
Telephone	$1,000
Office Supplies & Postage	$500
Maintenance & Repair	$11,000
Travel	$3,000
TOTAL EXPENDITURES	**$27,500**
NET REVENUE (DEFICIT)	**($6,950)**

[1]*Assumptions for potential revenue figures:*
Hangar Fees = 2 T-Hangars @ $50/month
Tie Down Fees = 5 aircraft @ $25/month @ 6 months/year +
10 transient aircraft overnights per week @ $5 each
Fuel Sales = Approximately 20,000 gallons @ $.80/gallon

9.1.1 Income Enhancement

A review of various income accounts indicates a number of potential areas for increasing income. Increasing income, however, is never as simple as it might appear because the forces of competition, existing lease terms, and supply and demand almost totally control the level of rates and charges in this regard. Several potential strategies for increasing income are listed below:

Hangar/Tiedown Rental: Income from leasing both improved and unimproved airport property is usually one of the major sources of airport revenue. These are the monies received for the lease of airport owned hangars, buildings, sunshades, open area tiedown spaces, and property for aviation related development. The White Mountain Apache Tribe should consider leasing airport property to private concerns for the sole purpose of constructing hangars. This form of agreement coupled with the amortization over 20 to 30 years of the hangar would allow the Tribe to charge less for hangar leases, with the result being the development of hangars with very little capital invested by the Tribe. Leases similar to this typically include a provision for the ownership of the hangar to revert to the airport sponsor after the initial twenty year lease has expired. At least one air medivac provider has expressed an interest in leasing hangar space. Increased aircraft storage and tiedown spaces at the airport would result in not only increased direct revenues generated through property leases and tiedown fees, but would also produce indirect revenue through the increased use of airport services and facilities, such as fuel purchases.

Collecting hangar and tiedown fees would generate airport revenues. Charges of $50.00 per month for land leases for hangars, $25.00 per month for tiedown rental, and $5.00 per night for overnight tiedown fees respectively are consistent with regional rates. Increases in fees should be carefully considered; however, because continued increases could reduce the demand for aircraft storage at the airport.

FBO Fees / Fuel Flowage Fees: The White Mountain Apache Tribe should consider establishing fueling service at the airport. In the past, the contract fire suppression aircraft have provided their own fuel. Prohibiting these operators from bringing their own fuel would generate a demand for fuel provided by the airport. This would most likely result in an increase in the cost of providing services to the BIA for the contract operators which would likely be passed on to the BIA. The estimated revenue is approximately $.80 per gallon of aviation fuel sold. The cost of fuel tanks and dispensing equipment has *not* been included in this estimate.

Offering fueling services at the airport should not be confused with fuel flowage fees. Airports often collect fuel flowage fees from the FBO (approximately $.03 per gallon), who reports monthly sales of fuel to the airport manager. These reports are supported by recaps of the previous months sales receipts for fuel actually sold to consumers. Other airports have modified this system so that fuel flowage fees are paid by the FBO based on the previous month's delivery of bulk fuel to the airport. The delivery slips from the fuel companies are used as back-up, making an audit much simpler, and the fees received represent the fuel in the tank as well as that actually sold to consumers.

Since the BIA does not generally operate as a for profit business, it will likely serve as a pseudo FBO. As a pseudo FBO, it is possible the BIA would serve as an agent for the Tribe to dispense fuel and collect tiedown fees and fuel sale revenues. These revenues would be passed directly to the Tribe and not enter the BIA funding system. This arrangement should be described explicitly in an agreement between the BIA and the Tribe.

9.1.2 Depreciation Expenses

Depreciation is the amortized cost of the airport owned building and facilities spread over a number of years. Although previous accounting has not recognized a charge for depreciation, the White Mountain Apache Tribe should consider introducing such a charge into their accounting records as a means of developing the capital required for matching funds. One-fiftieth (1/50) of the value of the existing buildings, facilities, runways, taxiways, lights, and other properties should be taken as an expense each year and the money captured from this account should be placed into a

capital improvement fund. Because this is a recommended consideration only, no value has been placed on this account at this time.

9.2 CAPITAL OUTLAY

Budgetary methods differ from day-to-day operating expenses and capital outlay projects. The FAA contributes 91.06 percent of the project amount for eligible capital improvement projects (see Section 9.3). As the airport Sponsor, the White Mountain Apache Tribe is responsible for contributing the remaining 8.94 percent. The State does not currently participate in the funding of airport development projects on Indian Reservations (see Section 9.4). The Sponsor's share of a project may be met either through cash or through force account (see Section 9.5.3). Planning for such projects aids in the budgetary process.

Proposed capital improvement projects for the next twenty years and their estimated costs were presented in Chapter 8. Because of the current pavement condition and the potential negative impact on aviation activity, the emphasis on capital improvements is to accomplish the needed projects as soon as possible. For budgeting purposes, the total annual local share of the project costs for the first five years are depicted in Table IX-2. Projected average annual pavement maintenance costs (crack & fog sealing) were extracted from the Capital Improvement Plan (CIP) and are included in the projected annual expenses listed in Table IX-1. Methods of financing the local share are discussed in Section 9.5

TABLE IX-2
PROJECTED LOCAL SHARE CAPITAL OUTLAY REQUIRMENTS (0-5 Years)

	Capital Outlay Required[1]
1998	$200,000
1999	$158,000
2000	13,000
2001	$0
2002	4,000
Total Capital Outlay	$375,000
Average Annual Capital Outlay	$75,000

[1]*Rounded to nearest thousand.*

9.3 FEDERAL GRANT ASSISTANCE

The Airport and Airways Act of 1982 created and authorized the Airport Improvement Program (AIP) to assist in the development of a nationwide system of public-use airports adequate to meet the current projected growth of civil aviation. The Act provides funding for airport planning and development projects at airports included in the National Plan of Integrated Airport Systems (NPIAS).

In the State of Arizona, the FAA participates with grants of up to 91.06 percent of total project costs for eligible projects. Typical eligible projects include planning studies, airside (runways, taxiways, and aprons) construction, expansion, and rehabilitation, airport lighting, visual aids, construction of access roads, and airport rescue and fire fighting equipment (ARFF) acquisition to name a few.

Typical items ineligible for Federal assistance include the construction of hangars, fuel facilities, and terminal facilities.

9.4 STATE ASSISTANCE

The Arizona Department of Transportation's (ADOT) Aeronautics Division does not currently participate in funding airport development projects on Indian Reservations. The White Mountain Apache Tribe should pursue the enactment of legislation that would eliminate this restriction, and allow the State to participate in the funding of airport development and maintenance projects on Indian Reservations. For other airports in the State eligible for ADOT grants, ADOT normally contributes 4.47 percent to the FAA's 91.06 percent funding of Federally eligible capital improvement projects, resulting in a local share of 4.47 percent. For maintenance projects in which the FAA does not participate, ADOT normally contributes 95.0 percent of the total project cost resulting in a 5.0 percent local share. This is a significant funding source which is currently unavailable to the Tribe.

9.5 FUNDING THE LOCAL SHARE

The airport sponsor has several methods available for funding the capital required to meet the local share of airport development costs. The most common methods involve debt financing which amortize the debt over the useful life of the project. Other methods which could be used to fund the capital needed for development costs include using Tribal General or Enterprise Funds, Force Accounts, and Third-Party support.

9.5.1 Bank Financing

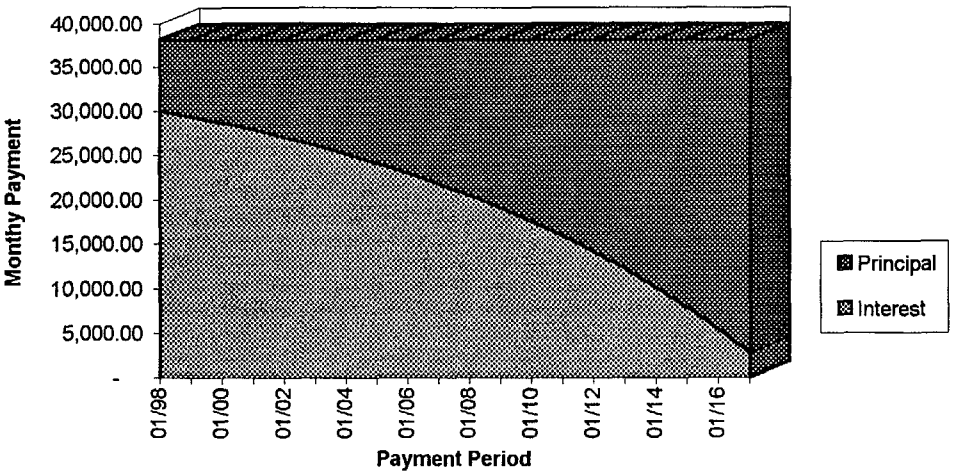
Some airport sponsors use bank financing as a means of funding airport development. Generally, two conditions are required. First, the airport must show the ability to repay the loan plus interest, and second, capital improvements must be less than the value of the present facility or some other collateral used to secure the loan. These are standard conditions which are applied to almost all bank loan transactions.

As an example of a bank financing scenario, a loan data table is provided below which depicts a $375,000 loan for the capital required to fund the proposed improvements in the first five years. The loan data table in Table IX-3 and amortization graph in Figure 9-1 are based on annual payments over a period of 20 years at an interest rate of 8.0 percent.

TABLE IX-3
LOAN DATA TABLE

Basic Loan Information			
Amount	$375,000	Annual Interest Rate	8.00%
Beginning of Loan	1/1/98	Length of Loan, Years	20
		Payments Per Year	1
Payment Information			
Total Payments	20	Calculated Payment	$38,194.58
Summary Information			
Total Paid	($763,891.57)	Interest Paid	($388,891.57)

FIGURE 9-1
LOAN AMORIZATION GRAPH



9.5.2 Tribal General or Enterprise Funds

The Tribe may desire to fund part or all of the airport capital improvements with funds accumulated in Tribal accounts. Tribal enterprises such as the Hon Dah Casino, Fort Apache Timber Company, Sunrise Ski Resort, and Recreation and Wildlife may generate revenues in excess of other Tribal expenses sufficient to fund the local share of the airport development projects. The opportunity cost of using accumulated Tribal funds for airport improvements should be considered before allocating the funds for airport improvements versus obtaining bank financing. The opportunity cost is the difference between the cost of bank financing and the potential higher return of other investment opportunities in which the Tribe could place the funds. A higher risk level is usually associated with investments which produce a higher rate of return, which should be considered in the decision.

9.5.3 Force Accounts

The FAA may allow the airport sponsor to use force accounts to provide their share of the eligible project cost. An example of force accounts would be the use of heavy machinery and operators for earthmoving and site preparation of runways, taxiways, etc. The use of force accounts in meeting the sponsor share of the project cost requires prior approval from the FAA.

9.5.4 Third-Party Support

As discussed on Section 9.1, and in other Chapters throughout this report, the airport serves the needs of three primary agencies: 1) the White Mountain Apache Tribe, 2) the Bureau of Indian Affairs, and 3) the Indian Health Service. Since all three organizations have an interest at stake in the airport, it may be determined through discussion and negotiations with the Sponsor, that all three organizations should share in the costs of capital improvements to the airport.

Other individuals or interested organizations may also contribute portions of the required development funds (Economic Development Associations, Pilot Associations, Chambers of Commerce, etc.). Although not a common means of airport financing, the role of private financial contributions not only increases the financial support of the project, but also stimulates moral support to airport development from the local communities. Because of the potential for hangar development, private developers may be persuaded to invest in hangars. A suggestion would be that the Tribe authorize long-term, low-fee, leases to individuals interested in constructing a hangar on airport property. With this type of lease, the airport would be more interested in hangar development, as compared to charging the market or going rate for hangar space or ground rental. At the end of the initial lease, the airport would automatically retain ownership of the hangar, and at that time leases could be adjusted to market level. Another method of third-party support involves permitting a fixed base operator (FBO) to construct and monitor facilities on property leased from the airport. The advantage to this arrangement is that it lowers the local share of development costs, a large portion of which are building construction and maintenance. However, the disadvantage is that the airport sponsor may receive little or no percentage of the revenues generated by the FBO. For this reason, it is important to consider all eventualities before entering into specific lease agreements in the future.

9.5.5 Community Support

While it would certainly be advantageous for an airport to support itself, the indirect and intangible benefits of the airport to the community's economy and growth must be considered. As airport activity increases, it is possible that employment on the airport will also grow throughout the planning period. The local construction industry will also benefit directly from implementation of the

development programs. Other community benefits involve business growth and development that is enhanced by the availability of an airport. While it is not likely that industry has or has not located in the Whiteriver area because of the airport, the fact remains that numerous organizations benefit from the presence of the airport. Clients and suppliers of area businesses will also benefit from the future improvements to the airfield. This type of use by corporate and business aircraft is a definite trend across the United States. The trend has been generated, in part, by the movement of American industry from the larger metropolitan areas to smaller communities that offer lower taxes and labor costs and a better working environment. Time is money to corporate executives and corporate aircraft are answering the need for quick access to and from these new locations. The ability of a town to provide convenient access to corporate aircraft will be reflected not only in benefits to existing business and industry but will be a strong factor in attracting new industry.

9.6 CONTINUOUS PLANNING PROCESS

The successful implementation of the Whiteriver Airport Master Plan will require sound judgement on the part of the airport sponsor. Among the more important factors influencing the sponsor's decisions to carry out a recommendation are timing and airport activity. Both of these factors can be used as references in plan implementation. While it was necessary for scheduling and budgeting purposes to focus on the timing of airport development, the actual need for facilities is in fact established by levels of activity. Proper master plan implementation suggests the use of airport activity rather than time as guidance in development and scheduling.

Airport planning is a *CONTINUOUS PROCESS* that does not end with the completion of a major project. The fundamental issues upon which this Master Plan are based are expected to remain valid for several years; however, several variables, such as based aircraft, annual aircraft operations, and socioeconomic conditions are likely to change over time. The continuous planning process requires the Whiteriver Tribe to consistently monitor the progress of the airport in terms of growth in based aircraft and annual operations, because this growth is critical to the exact timing and need for new airport facilities. The information obtained from this monitoring process will provide the data necessary to determine if the development schedule should be accelerated, decelerated, or maintained as scheduled.

Periodic updates of the Airport Layout Plan and Airport Master Plan are recommended to document physical changes to the airport, review changes in aviation activity, and to update improvement plans for the airport. The primary goal of this Airport Master Planning effort is to ultimately develop a safe and efficient airport that will meet the demands of its general aviation users and stimulate economic development for the White Mountain Apache Tribe and the surrounding community. The continuous planning process is a valuable tool in achieving that goal.